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SUBJECT: VIETNAM OUTGROWS HCMC'S HEALTHCARE SYSTEM

REF: A) HANOI 370, B) 07 HANOI 1810

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¶1. (U) Summary: Ho Chi Minh City's (HCMC) healthcare system today faces rapid growth in demand and underdeveloped institutional capacity. A shortage of human resources, unduly restrictive government regulation, lack of investment and pervasive corruption constitute the main challenges currently affecting the city's healthcare system. Each is symptomatic of Vietnam's ongoing transition to a market economy, making the health sector an interesting barometer for overall reform in Vietnam. More broadly, the principal challenge for health sector reform is the pace and quality of legal and regulatory reform relative to economic reform (ref A). End summary.

¶2. (U) This is the first in a series of cables analyzing the health care industry in southern Vietnam. Further reporting will examine specific aspect of health in southern Vietnam: how human resources shortages are affecting health care, equality of access and trade/investment challenges and opportunities.

Growing Demand Overwhelms Existing Services

¶3. (U) Economic development and rapid reforms, especially those adopted in the run up to WTO accession, have fundamentally changed health care in Vietnam. Economic growth has allowed ordinary Vietnamese to spend more money on health care. In some cases, Vietnam's developing prosperity has perversely created new demand for medical care. For example, many Vietnamese with money opt to spend it on motorbikes. Sadly, few spend money on driving lessons -- every day, Vietnam suffers an average of 35 motorbike fatalities and 70 serious injuries, overwhelming emergency rooms in major cities, particularly Ho Chi Minh City, and straining Vietnam's underdeveloped healthcare system (ref B). The combination of rapid economic growth and Vietnam's stove-piped bureaucratic system (whereby Ministries and subordinate divisions cannot efficiently work together) result in fragmented planning and hinder the development of equitable healthcare delivery system.

¶4. (U) Vietnamese with money are looking for new options. One local health sector investment fund manager estimated that Vietnamese spent over USD 2 billion on health care overseas last year, USD 1 billion in Singapore alone. In Ho Chi Minh City, foreign or privately-owned hospitals have become the primary service provider for the urban wealthy, in contrast to the poor, who rely on traditional remedies, self-medicate (at times seeking advice from local pharmacies), or visit public hospitals

for more urgent treatment. The majority of hospitals, both public and private, are located in urban areas, forcing the majority of Vietnamese who still live in rural areas to travel long distances, a great expense, for medical attention for severe illnesses.

15. (U) As a result, HCMC doctors say that patients from throughout southern Vietnam, and significant number from Hanoi, come long distances to enjoy the relatively better quality of treatment on offer in HCMC. Knowing that health care in HCMC is considered to be relatively better than in other parts of the country sheds some light on the magnitude of the problem in the country as a whole. In HCMC at present, two of the cities best public hospitals face severe overcrowding -- in one 700 patients occupy just 500 beds while 600 patients occupy 400 beds in the other. Overcrowding leads to situations where two nurses care for 100 patients during some night shifts. Staffing shortages, in turn, exacerbate the problem since for every patient there is usually at least one, and often two to four, relatives sleeping in the halls and on the floors so that they can be nearby to provide care.

Shifting Burden: Decentralization and Private Investment

16. (U) As incomes rise, however, the average Vietnamese is increasingly demanding higher quality and affordable healthcare services, challenging the ability of the government to meet social demand. Vietnam's 1980 constitution guarantees health care as an inalienable human right. Unable to continue sustaining a centrally planned healthcare system, however, the Government of Vietnam (GVN) has sought to implement a series of reforms to shift part of healthcare cost to users. Decentralizing responsibility for health care from the central to local governments has allowed, and even encouraged, private hospitals and pharmaceutical companies to develop, resulting in competition between health care providers. With additional health care options available and variable government oversight,

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there is increasing pressure on the government to improve national standards, for example regarding drug-quality. By 2013, the Ministry of Health plans to ensure that all pharmacies in Vietnam meet Good Pharmacy Practice (GPP) requirements. Despite these efforts, regulatory progress is slow and healthcare reform is urgently needed.

17. (U) To some extent, market forces are clearly working already and are serving to mitigate the shortcomings in the public health care system. Vietnamese with the economic means to do so already go to private clinics rather than traditional public hospitals and clinics. A growing number of private firms offer private health care, often including on-site clinics since it is more cost effective to treat sick employees than to suffer gaps while they wait in queues at public clinics and hospitals. As noted above, more affluent Vietnamese leave the country entirely, opting for health care in Singapore, Bangkok, Taipei or elsewhere.

Education and Human Resources Shortage

18. (U) Addressing Vietnam's human resource shortage is one of the most difficult short-term challenges facing the healthcare system in the country. Lack of healthcare workers not only affects quality of treatment, but also the ability to address severe illnesses or prevent the emergence of endemic diseases. In a 2008 report on healthcare workers, the Ministry of Health estimated that Vietnam will need a total of 6,000 new doctors, 1,500 pharmacists and 17,000 medical workers each year from now until 2010, meaning that Vietnam faces an urgent need to augment the number of training schools, particularly for nurses. Unfortunately, the educational system trains too few workers and recent budget cuts (in response to high inflation) mean that projects to expand medical training have been postponed. The health system also lacks adequate incentives to attract doctors to work in public hospitals or even to practice in Vietnam. Public health care system salaries are discouragingly low,

causing health care professionals to enter into side arrangements, divert patients to their private clinics or go into private practice.

¶19. (SBU) Vietnam's shortage of health care capacity extends beyond doctors or nurses to include people who can effectively manage hospitals. Currently under GVN law, the CEO of public hospitals must be a doctor appointed by the government. As a local fund-management company told the Consul General, "doctors are not CEO's...we have the money to build hospitals, but not the people to effectively manage them." Without changes in legal regulation or academic institutions to develop these skills, filling this gap presents a substantial challenge (ref A). Clearly, bringing better business practices to health care management will be central to improving Vietnam's hospitals.

Administrative Barriers Discourage Investors

¶10. (U) Current GVN investment in healthcare is less than 6.1 percent of the total state budget. Since many analysts consider 7 to 9 percent of GDP more appropriate for Vietnam's current state of development, there are opportunities for private-sector development. Various private health projects across the country, however, are progressing very slowly if at all. Slow land clearance of hospital construction sites and limited capital have stalled construction plans for many healthcare projects, such as the 44 high-tech medical center in Binh Tan District which began in 1999 and is still "under construction" nine years later.

¶11. (U) High-taxes levied on private hospitals (up to 28 percent) along with high-import costs (especially tariffs on pharmaceuticals and medical equipment) represent significant challenges for current managers and future investors. In particular, interlocutors tell us that stringent government regulations limiting the importation of refurbished medical equipment and restrictions on increasing pharmaceutical prices without government approval create disincentives for investors to enter the sector.

Corruption Asphyxiates Plans for Better Healthcare

¶12. (SBU) Many contacts state that corruption at every level cripples efforts to improve health care. Programs aimed to provide health insurance for the poor, such as the 1998 National Hunger Eradication and Poverty-Reduction plan presented by the

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Ministry of Labor, Invalids, and Social Affairs (MOLISA) have contributed instead to the "disappearance" of numerous funds and "over-expenditure" of projected services. Today approximately 70 to 80 percent of healthcare financing is through out-of-pocket cash payments, creating opportunities for providers to demand informal payments. At hospitals and clinics throughout Vietnam, doctors demand informal payments for treatment, and prescribe inappropriate medication or unnecessary testing based on pressure from administrators or in exchange for incentives from suppliers. For example, a Scandinavian project that provided free hand sanitizer to health care professionals ran into resistance because it cut down on prescription of antibiotics. A hospital administrator in HCMC described to the CG how doctors collude with patients and pharmacies to defraud the national health care system and drain the hospital's budget.

Under the scam, doctors write unnecessary prescriptions for covered drugs, patients fill them at the official hospital pharmacy, and then patients hand the prescription back in exchange for a small kick-back while the doctor and pharmacy split the bulk of the revenue.

¶13. (U) Rigid, and increasingly misaligned, government regulation, with neither adequate monitoring nor transparency, weakens the public health care system and creates further opportunities for corruption. Under the current set of incentives, it is more lucrative for healthcare staff to earn fees privately for curative services than to treat even simple maladies in public health care facilities. Low-wages for

healthcare workers encourage doctors to perform "unnecessary procedures," in pursuit of additional earnings.

Comment:

¶14. (U) The litany of problems facing HCMC's health care system in the setting of health sector reform reflects the challenges facing Vietnamese society as a whole -- inadequate human resources, poor infrastructure, inappropriate incentives, questionable resource allocation and, above all, corruption. Establishing more training facilities, creating administration management programs and further liberalization of trade and investment rules for the health care industry could all help. Broader efforts aimed at the economic sector, such as working with GVN to rewrite legislation governing trade and investment, can contribute to the health reform; however, more targeted intervention is desperately needed. The GVN needs to show the willpower to address the structural problems facing the health care sector, including the rampant corruption and the many factors that contribute to an environment in which such corruption flourishes. Without this commitment, Vietnam's health care woes will continue. We must be realistic, however, and recognize that even with the best management and most transparent systems, meeting the growing health care needs of any developing country facing severe resource constraints is a very difficult task. End comment.

¶15. (U) This cable was drafted by intern/Pickering Fellow Mayra Alvarado and coordinated with Embassy Hanoi.
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